



**SF 2356** – Health Care Reform (LSB 5392SV)

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Fiscal Note Version – New

**Description**

**Senate File 2356** creates the IowaCare Plus Program, administered by the Department of Human Services. The Program provides for the expansion of coverage to individuals with income between 200.0% and 300.0% of the Federal Poverty Level (FPL) and expands covered benefits and the provider network. The Bill expands the provider network for the current IowaCare Program and creates a Diabetic Registry to track and improve the care of patients. The Bill creates the Iowa Insurance Information Exchange as a nonprofit corporation under the purview of the Insurance Division of the Department of Commerce. All licensed carriers and organized delivery systems in the State providing health insurance or health care services are members of the Exchange. A Board of Directors of the Exchange is created and will assess members for the costs of the operations of the exchange.

**Total Fiscal Impact:** The chart below indicates the fiscal impact for this Bill. The cost of Division I is anticipated to be funded with federal funds and General Fund money, if and when funds become available. The cost of Division II will be assessed to insurance companies.

<b>Senate File 2356</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Division I - IowaCare Plus</b>		
Program Costs Less Member Premiums	\$ 47,059,985	\$ 139,156,955
Administrative Expenses	4,705,998	9,740,987
Private Insurance Premium Assistance	700,000	700,000
Field Staff	1,610,162	4,812,004
	54,076,145	154,409,946
<b>Division I - IowaCare Provider Expansion</b>		
University of Iowa Hospitals and Clinics - Physicians	\$ 14,630,000	\$ 14,630,000
Federally Qualified Health Centers	5,527,500	5,527,500
Nonparticipating Provider Emergency Reimbursement	1,842,500	1,842,500
	22,000,000	22,000,000
Less Certified Public Expenditure Revenue	\$ -22,000,000	\$ -22,000,000
Net Iowa Care Provider Expansion Impact	\$ 0	\$ 0
<b>Division I - Diabetic Registry</b>		
DPH Staffing	0	0
<b>Total Division I</b>	<b>\$ 54,076,145</b>	<b>\$ 154,409,946</b>
<b>Division II - Board of Directors</b>		
Executive Officer 3 and Executive Secretary	\$ 174,116	\$ 157,198
Reimbursement for Travel, Meals (12 meetings)	20,000	20,000
Annual Audit by an Independent CPA	5,000	5,000
Insurance Division (1.60 FTE positions)	130,000	130,000
	\$ 329,116	\$ 312,198
<b>Division II - Insurance Information Exchange</b>		
Web Implementation and Development (0.5 FTE)	\$ 50,000	\$ 50,000
<b>Total Division II</b>	<b>\$ 379,116</b>	<b>\$ 362,198</b>
<b>Total</b>	<b>\$ 54,455,261</b>	<b>\$ 154,772,144</b>

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## DIVISION I

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### **IowaCare Plus**

**Division I** creates the IowaCare Plus Program to be administered by the Department of Human Services, Iowa Medicaid Enterprise. The Program will provide coverage to individuals between the ages of 19 through 64 with a family income between 200.0% and 300.0% of the FPL (FPL). The benefits covered under the Program are inpatient and outpatient hospital services, physician and advanced registered nurse practitioner services, dental services, podiatry services, a limited pharmacy benefit, and primary care coordination. The Department is directed to establish a regional provider network utilizing the University of Iowa and Broadlawns Medical Center, federally qualified health centers, private providers, and hospitals specified by the Department. The Program will limit premiums to 4.0% of an individual's gross annual income. Implementation of this Program is contingent on the availability of funding.

### **IowaCare Provider Network Expansion**

**Division I** directs the Department to amend the extension proposal for the IowaCare Program to allow members to utilize additional providers including a regional provider network, private providers, and hospitals designated by the Department and requires tertiary care to be provided at the University of Iowa. The Department is to use certified public expenditures at the University of Iowa to leverage additional federal funding.

### **Diabetic Registry**

**Division I** directs the Department of Public Health to work with the appropriate entities to develop a plan for coordination of care for individuals with diabetes receiving care through members of the Iowa Collaborative Safety Net Provider Network. This Section provides permission for several activities the Department may consider, such as implementation of a diabetes registry.

### **Assumptions**

#### **IowaCare Plus**

- Assumes there are approximately 100,000 uninsured adults between 200.0% and 300.0% of the FPL from the Lewin Group estimates.
- Assumes 40,000 individuals would enroll in the program in the first two years.
- Assumes the average cost of the program is similar to a Medicaid adult or \$4,230 plus an additional 33.0% due to one or more chronic conditions.
- Assumes individuals will pay 4.0% of their income towards a premium for the IowaCare Plus Program and that the Program will only collect 90.0% of the premiums billed.
- Assumes 10.0% administrative cost the first year and 7.0% the second year.
- Assumes \$700,000 a year will be spent on a program similar to the Health Insurance Premium Payment Program for individuals that have access to health insurance but cannot afford the premium.
- Assumes one additional Income Maintenance Worker for every 539 individuals, 1 support worker for every 10 new Income Maintenance Workers, and 1 Supervisor for every 14 new staff.
- Assumes all cost is 100.0% State-funded with no federal participation.
- Implementation of this Division is subject to federal participation.

#### **IowaCare Provider Network Expansion**

- Assumes there are approximately 124,000 uninsured adults with income below 200.0% of the FPL.
- Assumes current estimated expenditures for FY 2011 will be \$124.0 million and average enrollment will be 39,500 in FY 2011 and 42,000 in FY 2012.
- Adding a primary care network of Federally Qualified Health Centers (FQHC) will add an additional \$300.0 in cost per member per year.

- Funding for the FQHC's is limited to the additional funding received from the certified public expenditures.
- The State will use \$7.26 million from the University of Iowa Hospitals and Clinics (UIHC) to leverage an additional \$14.74 million in federal funding. Of the additional federal funding received, the UIHC will receive 50.0%, FQHC's will receive 37.5% to provide primary care for IowaCare members, and the hospital emergency fund will receive 12.5%.
- Assumes payments to FQHC's will be capped at \$5.5 million and that demand for services will reach the cap.
- Assumes payments for hospital emergency services for non participating providers will be capped at \$1.8 million deposited into the Nonparticipating Provider Reimbursement Fund and that demand for services will reach the cap.
- Assumes doctors will be paid \$7.4 million at the UIHC. Doctors are currently not reimbursed for services provided to IowaCare patients.
- Assumes that there is \$22.0 million in State and federal funding under the budget neutrality cap.
- Assumes DHS will implement a waiting list to limit program expenditures within the budget neutrality cap.
- Expansion beyond the budget neutrality cap is subject to federal participation.

### **Fiscal Impact**

#### **IowaCare Plus**

The total cost of this Division, if implemented, is estimated to be \$54.1 million in the first year and \$154.4 in the second year. Cost for the first year includes \$47.1 million for Program costs, \$4.7 million for administrative expenses, \$700,000 for premium assistance for private insurance, and \$1.6 million for additional field staff. Cost for the second year includes \$139.2 million for Program costs, \$9.7 million for administrative expenses, \$700,000 for premium assistance for private insurance, and \$4.8 million for additional field staff.

#### **IowaCare Provider Network Expansion**

Leveraging certified public expenditures at the UIHC will generate an additional \$22.0 million in State and federal revenue for the IowaCare Program bringing the program to the budget neutrality cap. With the changes in this Bill, the Program will have an additional \$22.0 million in expenditures. The IowaCare provider network expansion has a net impact of zero.

#### **Diabetic Registry**

This Section will have a minimal impact to the DPH due to staff time dedicated to the development of a plan for the coordination of care for diabetes patients.

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## **Division II**

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#### **Iowa Insurance Information Exchange**

**Division II** creates the Iowa Insurance Information Exchange as a nonprofit corporation under the purview of the Insurance Division in the Department of Commerce. All licensed carriers and organized delivery systems in the State providing health insurance or health care services are members of the Exchange. A Board of Directors of the Exchange is created and is required to submit a plan of operation for itself and the Exchange to the Commissioner of Insurance for approval. The Board is charged with the following duties:

- Develop a system that provides a portal where uninsured Iowans can receive assistance in obtaining public or private health care coverage.
- Contract with the DHS to determine eligibility for uninsured Iowans for public programs and to provide assistance in the enrollment process.
- Provide assistance for enrollment in private health insurance that meets certain standards of quality and affordability.

- Develop a seamless system of moving between public and private health care coverage.
- Develop three categories of benefits that meet affordability limits established in SF 389 (2009 Health Care – Services, Providers, and Insurance).
- Establish an information clearinghouse to provide information about all public and private health care coverage that is available in the State including comparison of benefits, premiums, and out-of-pocket costs.
- Provide ongoing information to taxpayers about the costs of public health care programs to the State, including the percentage and source of State and federal funding for the programs.

The Iowa Insurance Information Exchange Fund is created in Division II and is under the control of the Exchange. The Exchange is permitted to charge its members for the net costs of the Exchange in proportion to their respective shares of total health insurance premiums or payments for subscriber contracts. The Exchange is subject to an annual audit by an independent certified public accountant.

### **Assumptions**

- The Board is required to appoint an Executive Director to supervise the administrative affairs of the Exchange. The Executive Director will require one Board Secretary. Staffing costs, including support and benefits will be \$174,000 in FY 2011 and \$157,000 in FY 2012.
- The Board will meet at least 12 times per year and travel and food costs to the 13 members will be reimbursed for a total annual cost of \$20,000.
- The Insurance Division will develop and implement the website for 0.5 FTE position at \$50,000.
- The Board will contract with an independent certified accountant to conduct the annual audit of the Exchange for an estimated \$5,000 annually.
- The Board will contract with the Insurance Division for information gathering purposes relating to the members of the Exchange. The Insurance Division will require 1.0 FTE position to assist the Board with compiling necessary information for the Exchange related to available plans and carriers at a cost of \$75,000. An additional 0.25 FTE position of existing staff time from a company examination staff person will be required for verification of company financials for assessment purposes annually and as needed throughout the fiscal year at approximately \$15,000. Finally, the Division will utilize either the Commissioner or Commissioner's appointee for membership on the Board at 0.35 FTE position at a cost of \$40,000. The total estimated cost to the Insurance Division is an estimated \$130,000 and 1.60 FTE positions.
- Costs associated with the required 28E agreement with the Department of Human Services are accounted for in the fiscal impact of Division I.

### **Fiscal Impact**

The fiscal impact of Division II is an estimated cost of \$379,000 for FY 2011 and \$362,000 for FY 2012. There is no General Fund appropriation for the activities in Division II. The Board of Directors will assess fees to members of the Exchange to fund its operations.

**Sources**

Department of Human Services  
Iowa Insurance Division

/s/ Holly M. Lyons

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February 24, 2010

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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